



ANNUAL BUDGET OF
NONGOMA MUNICIPALITY
2020/21 TO 2022/23
MEDIUM TERM REVENUE AND EXPENDITURE
FORECASTS

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Abbreviations and Acronyms

<i>AMR</i>	<i>Automated Meter Reading</i>	<i>KPI</i>	<i>Key Performance Indicator</i>
<i>ASGISA</i>	<i>Accelerated and Shared Growth Initiative</i>	<i>LED</i>	<i>Local Economic Development</i>
<i>BPC</i>	<i>Budget Planning Committee</i>	<i>MEC</i>	<i>Member of the Executive Committee</i>
<i>CFO</i>	<i>Chief Financial Officer</i>	<i>MFMA</i>	<i>Municipal Financial Management Act Programme</i>
<i>CM</i>	<i>City Manager</i>	<i>MIG</i>	<i>Municipal Infrastructure Grant</i>
<i>CPI</i>	<i>Consumer Price Index</i>	<i>MMC</i>	<i>Member of Mayoral Committee</i>
<i>CRRF</i>	<i>Capital Replacement Reserve Fund</i>	<i>MPRA</i>	<i>Municipal Properties Rates Act</i>
<i>DBSA</i>	<i>Development Bank of South Africa</i>	<i>MSA</i>	<i>Municipal Systems Act</i>
<i>DORA</i>	<i>Division of Revenue Act</i>	<i>MTEF</i>	<i>Medium-term Expenditure Framework</i>
<i>EE</i>	<i>Employment Equity</i>	<i>MTREF</i>	<i>Medium-term Revenue and Expenditure Framework</i>
<i>EM</i>	<i>Executive Mayor</i>	<i>NGO</i>	<i>Non-Governmental organisations</i>
<i>FBS</i>	<i>Free basic services</i>	<i>NKPIs</i>	<i>National Key Performance Indicators</i>
<i>GAMAP</i>	<i>Generally Accepted Municipal Accounting Practice</i>	<i>OHS</i>	<i>Occupational Health and Safety</i>
<i>GDP</i>	<i>Gross domestic product</i>	<i>OP</i>	<i>Operational Plan</i>
<i>GFS</i>	<i>Government Financial Statistics</i>	<i>PMS</i>	<i>Performance Management System</i>
<i>GRAP</i>	<i>General Recognised Accounting Practice</i>	<i>PPE</i>	<i>Property Plant and Equipment</i>
<i>HR</i>	<i>Human Resources</i>	<i>PTIS</i>	<i>Public Transport Infrastructure System</i>
<i>HSRC</i>	<i>Human Science Research Council</i>	<i>SALGA</i>	<i>South African Local Government Association</i>
<i>IDP</i>	<i>Integrated Development Strategy</i>	<i>SAPS</i>	<i>South African Police Service</i>
<i>IT</i>	<i>Information Technology</i>	<i>SDBIP</i>	<i>Service Delivery Budget Implementation Plan</i>
<i>KM</i>	<i>Kilometre</i>	<i>SMME</i>	<i>Small Micro and Medium Enterprises</i>
<i>KPA</i>	<i>Key Performance Area</i>		

Part 1 – Annual Budget

1.1 Mayor's Budget Speech

Honorable Speaker – Cllr BW Zulu

Honorable Deputy Mayor – Cllr AN Xulu

Honorable Members of the Executive Committee

Honorable Councillors

Municipal Manager – Mr. M B Mnguni

Heads of Department

Ladies and Gentlemen

I am honored to present to you the Final budget for 2020/21 financial year today. I am hopeful that you will positively engage this budget with progressive ideas aimed at shaping the future and sustainability of Nongoma Municipality.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Nongoma Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the **municipality's financial plan** is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2020/21 budget was prepared under challenging circumstances. It has taken a lot of effort and creativity to balance this budget. What we have tried to achieve with this year's budget is to meet the obligations of the municipality towards its electorate – you the voter, you the community

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21 term

member of Nongoma. To bring the best services to you with the financial resources we have is a mammoth task. However working together we can do more.

Mr Speaker, it is acknowledged that while the municipality is not a profit-making institution it must be maintained and managed as a going concern; therefore we cannot do without increasing the cost of service.

We have started a revenue enhancement project, This project aims at increasing our revenue base, which will result in the upward revision of the grade of this municipality.

Mister Speaker, we table several documents to the sitting of Council. We are aware that this is a huge volume but we do it to show transparency on how this budget was arrived at and the benefits to be derived by our community from the municipality's programmes.

Mister Speaker, listed below are the highlights of the 2020/21 MTREF Budget:

Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1							
Revenue By Source								
Total Revenue (excluding capital transfers and contributions)		197,930	194,974	194,974	194,974	207,684	218,208	229,393
Total Expenditure		190,087	192,931	192,931	192,931	198,574	209,087	220,608
Surplus/(Deficit)		7,843	2,043	2,043	2,043	9,110	9,121	8,784
ADD - capital Expenditure		39,873	31,873	31,873	31,873	31,679	34,179	36,009
Surplus/(Deficit) for the year		47,716	33,916	33,916	33,916	40,789	43,300	44,793

Emanating from the budget highlights above, the following are the revenue and expenditure detailed budget highlights:

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21
term

a) Detailed operating revenue

Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1							
Revenue By Source								
Property rates	2	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges - refuse revenue	2	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Rental of facilities and equipment		277	280	280	280	294	308	324
Interest earned - external investments		2,041	2,041	2,041	2,041	2,143	2,250	2,363
Interest earned - outstanding debtors		2,735	2,735	2,735	2,735	2,872	3,016	3,166
Fines, penalties and forfeits		346	346	346	346	363	381	400
Licences and permits		945	945	945	945	992	1,041	1,093
Transfers and subsidies		162,773	160,178	160,178	160,178	171,159	179,809	188,997
Other revenue	2	1,153	1,153	1,153	1,153	1,228	1,307	1,392
Total Revenue (excluding capital transfers and contributions)		197,930	194,974	194,974	194,974	207,684	218,208	229,393

b) Detailed operating expenditure

Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1							
Expenditure By Type								
Employee related costs	2	89,491	90,309	90,309	90,309	95,954	101,951	108,323
Remuneration of councillors		15,487	15,487	15,487	15,487	16,261	17,074	17,928
Debt impairment	3	1,000	800	800	800	4,000	4,200	4,410
Depreciation & asset impairment	2	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Finance charges		500	300	300	300	869	301	111
Other materials	8	1,385	1,902	1,902	1,902	1,720	1,596	1,676
Contracted services		26,760	32,886	32,886	32,886	26,558	28,827	30,841
Transfers and subsidies		1,950	759	759	759	794	830	869
Other expenditure	4, 5	43,916	40,888	40,888	40,888	34,970	35,987	37,214
Total Expenditure		190,087	192,931	192,931	192,931	198,574	209,087	220,608

Employee related cost for 2020/21 budget year has increase by 6.25 % from 2019/20 adjusted budgeted. The increase considers the signed collective agreement as well as other benefits. The year-to-date employee related cost is expected to be plus or minus R98 million. There will be a decrease in employee related cost in 2020/21 of plus or minus R4 million from 2019/2020 financial year. The decrease in employee related cost is attributable to the end of contract of employment for contracted employees in September 2020.

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21 term

Mr Speaker, the R34.9 million for other expenditure is broken down as follows:

Description	Ref	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand					
<u>Other Expenditure By Type</u>					
Audit fees	3	1,800	2,800	2,940	3,087
General expenses		13,734	10,152	10,078	5,448
<i>Advertising, Publicity and Marketing</i>		509	410	531	452
<i>Rentals Car Hire</i>		1,000	1,000	1,050	1,103
<i>Telephone (Cellphone)</i>		2,240	2,000	2,100	2,205
<i>Communication</i>		957	1,350	1,418	2,977
<i>External Computer Service</i>		270			
<i>Hire Charges [Expenditure</i>		7,187	5,071	5,324	5,590
<i>Printing, Publications and Books</i>		800	1,000	1,050	1,103
<i>Professional Bodies, Membership and Subscription</i>		1,783	2,100	2,205	4,520
<i>Remuneration to Ward Committees</i>		1,200	2,142	2,249	2,362
<i>Travel and Subsistence</i>		2,530	2,106	2,214	3,882
<i>Uniform and Protective Clothing</i>		1,570	840	882	926
<i>Wet Fuel</i>		1,220	1,200	1,260	1,323
Insurance		760	800	840	882
Rewards Incentives		30			
Office Equipment Rentals Operating lease		3,300	2,000	1,847	1,355
Total 'Other' Expenditure	1	40,888	34,970	35,987	37,214

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21 term

c) Capital Expenditure

Description	Ref	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1						
<u>Capital expenditure on new assets by Asset Class/Sub-class</u>							
<u>Infrastructure</u>		46,793	40,793	40,793	38,145	42,179	42,009
Roads Infrastructure		38,793	32,793	32,793	30,145	34,179	36,009
Roads		38,793	32,793	32,793	30,145	34,179	36,009
Electrical Infrastructure		8,000	8,000	8,000	8,000	8,000	6,000
Capital Spares		8,000	8,000	8,000	8,000	8,000	6,000
<u>Computer Equipment</u>		443	200	200	–	–	–
Computer Equipment		443	200	200			
<u>Furniture and Office Equipment</u>		300	223	223	–	–	–
Furniture and Office Equipment		300	223	223			
<u>Machinery and Equipment</u>		180	700	700	100	–	–
Machinery and Equipment		180	700	700	100		
<u>Transport Assets</u>		4,350	4,350	4,350	–	–	–
Transport Assets		4,350	4,350	4,350			
Total Capital Expenditure on new assets	1	52,066	46,266	46,266	38,245	42,179	42,009

Capital projects to be undertaken over the medium-term includes, amongst others:

- ✚ Electrification projects to the value of R8 million to fund the following projects : Mcakwini and Nkukwini area R4 million and Ebuhleni R4 million
- ✚ Construction of rural roads R12.6 million and community halls– R1.4 million
- ✚ Construction of Creshes–R1.8
- ✚ Storm Water drainage System R7 million
- ✚ side walks R3.4 million
- ✚ Street Lights in town R3.5 million
- ✚ Office equipment – R100 thousands

The municipality will be implementing the expanded public works programme for an amount of R2 million as per the National Treasury allocation.

Tariffs

When revising tariffs and other charges, municipalities are urged to take into account the cost of rendering a service in order to ensure financial sustainability. In revising the tariffs we have taken into account the harsh economic realities of Nongoma. It is impossible to increase the tariffs beyond the inflation target of 6%. Municipalities are required to justify all increases in excess of the 6% upper boundary of the South African Reserve Bank's inflation target.

Municipal property rates tariffs has been increased by 4.9% while tariffs for other service charges have been increased by the same 5% for the 2020/21 financial year. This is per the budget preparation guideline provided in the MFMA budget circulars.

We will continue to provide free basic service to poor and indigent households and therefore we urge those households which qualify for indigent and other support to come forward and register for a subsidy.

Mr Speaker, allow me to confirm that although we want to do far more than the mentioned elements as well as everything that is captured in this budget, we cannot do everything in one year or even in two years but we will strive to ensure that the needs of our community are fulfilled.

In conclusion, Mr Speaker, I can without doubt state that the proposed 2020/21 multi-year budget attempts to support the role of Nongoma Municipality and will definitely contribute to poverty alleviation and improving the lives of the community.

I want to pay special gratitude to the Councillors of Nongoma, the Municipal Manager Mr MB Mnguni, the Heads of Departments and all the staff of Nongoma, for the good work they did in producing this budget. It will improve the lives of the people.

I thank you

Hon Councillor M.A Mncwango
Mayor of Nongoma Municipality.

1.2 Council Resolutions

The Nongoma Municipal Council in its meeting held on the 5th of June 2020 via virtual/Zoom, approved the final budget of the municipality for the financial year 2020/21, with the following resolutions:

1. The Council of Nongoma Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves:

- 1.1. The annual budget of the municipality for the financial year 2020/21 and the multi-year and single-year capital appropriations as set out in the following tables:

- 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 10.

- 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 11;

- 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 12; and

- 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 13.

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1. Budgeted Financial Position as contained in Table 14;

- 1.2.2. Budgeted Cash Flows as contained in Table 15;

- 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 16;

- 1.2.4. Asset management as contained in Table 17; and

- 1.2.5. Basic service delivery measurement as contained in Table 18.

2. The Council of Nongoma Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2020:

2.1. the tariffs for property rates .

3. The Council of Nongoma Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2020 the tariffs for other services.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 99 and 79 that were used to guide the compilation of the 2020/20 MTREF tabled.

The main challenges experienced during the compilation of the 2020/20 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21 term

- The need to reprioritize projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.

Table 1 Overview of the 2020/21 MTREF

Description	Ref	Current Year 2019/20				2020/21 medium term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1							
Revenue By Source								
Total Revenue (excluding capital transfers and contributions)		197,930	194,974	194,974	194,974	207,684	218,208	229,393
Total Expenditure		190,087	192,931	192,931	192,931	198,574	209,087	220,608
Surplus/(Deficit)		7,843	2,043	2,043	2,043	9,110	9,121	8,784
Transfers and subsidies - capital (National		39,873	31,873	31,873	31,873	31,679	34,179	36,009

Total operating revenue has increased to R207.7 million for the 2020/21 financial year when compared to the 2019/20 Adjustments Budget. For the two outer years, operational revenue will increase by 6.1% and increased by 4.8% in 2021/22, equating to a total revenue growth of

Total operating expenditure for the 2020/21 financial year has been appropriated at R198.5 million and translates into a budgeted surplus of R9.1 million. When compared to the 2019/20 Adjustments Budget, operational expenditure has grown by 2.9 % in the 2020/21 budget and by 8.3% in 2021/22 and 14.3% in 2022/22. The surpluses of R9.1 million, R9.1 million and R8.7 million in 2020/21, 2021/22 and 2022/23 respectively can be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R31.6 million for 2020/21 is 0.06 per cent less when compared to the 2019/20 Adjustment Budget. The capital programme increases to R34 in the 2021/22 financial year and increases to R36 million in 2022/23. A substantial portion of the capital budget will be funded from conditional grants over the MTREF.

1.4 Operating Revenue and Expenditure Framework

For the Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21 *term*

is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

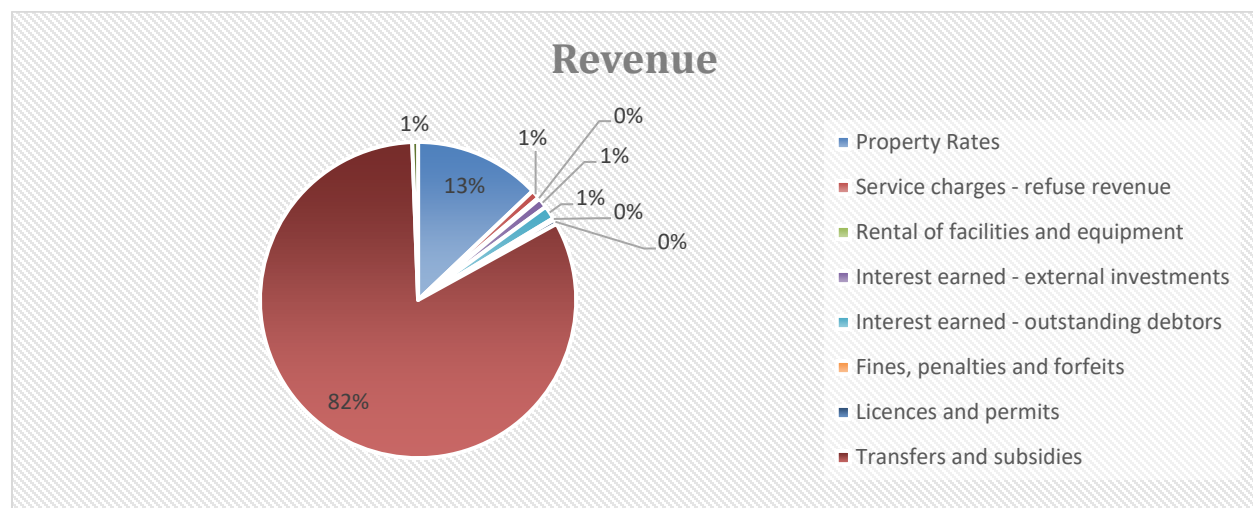
The municipality's revenue strategy is built around the following key components:

- ✚ National Treasury's guidelines and macroeconomic policy;
- ✚ Growth in the Municipality and continued economic development;
- ✚ Efficient revenue management, which aims to ensure an annual collection rate of not less than 70% for property rates and other key service charges;
- ✚ Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- ✚ The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- ✚ Increase ability to extend new services and recover costs;
- ✚ The municipality's Indigent Policy and rendering of free basic services; and
- ✚ Tariff policies of the Municipality.

The following table is a summary of the 2020/21 MTREF (classified by main revenue source):

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21 term

Table 2 Summary of revenue classified by main revenue source



Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1							
Revenue By Source								
Property rates	2	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges - refuse revenue	2	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Rental of facilities and equipment		277	280	280	280	294	308	324
Interest earned - external investments		2,041	2,041	2,041	2,041	2,143	2,250	2,363
Interest earned - outstanding debtors		2,735	2,735	2,735	2,735	2,872	3,016	3,166
Fines, penalties and forfeits		346	346	346	346	363	381	400
Licences and permits		945	945	945	945	992	1,041	1,093
Transfers and subsidies		162,773	160,178	160,178	160,178	171,159	179,809	188,997
Other revenue	2	1,153	1,153	1,153	1,153	1,228	1,307	1,392
Total Revenue (excluding capital transfers and contributions)		197,930	194,974	194,974	194,974	207,684	218,208	229,393

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term

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue transfers recognized forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise 13 per cent of the total revenue mix. In the 2020/21 financial year, revenue from rates and services charges totalled R28.6 million. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling of R26.6 million rand and increases to R28.1 million by 2022/23. The third largest sources is 'other revenue' which consists of various items such as income received from permits and licenses, interest on investments, fines , rentals of facilities building plan fees and other fees. The Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R171.1 million in the 2020/21 financial year and increases to R179.8 million and R188.9 in 2021/22 and 2022/23 respectively.

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21 term

Table 3 Operating Transfers and Grant Receipts

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		127,467	123,980	140,318	158,492	158,492	158,492	168,254	177,268	186,332
Local Government Equitable Share		124,217	121,046	136,733	154,506	154,506	154,506	164,354	175,298	184,263
Finance Management		1,800	1,825	1,970	1,970	1,970	1,970	1,900	1,970	2,069
EPWP Incentive		1,450	1,109	1,615	2,016	2,016	2,016	2,000	-	-
Provincial Government:		1,841	778	2,591	2,281	1,686	1,686	2,905	2,541	2,665
Provincialisation of library		553	559	838	880	880	880	905	935	981
Community Library		170	179	753	1,401	806	806	1,500	1,606	1,684
Ward Based Plan		931						500	-	-
Other transfers/grants [insert description]		187	40	1,000						
Total Operating Transfers and Grants	5	129,307	124,758	142,909	160,773	160,178	160,178	171,159	179,809	188,997
Capital Transfers and Grants										
National Government:		47,505	44,416	46,286	39,873	39,873	39,873	39,679	42,179	42,009
Municipal Infrastructure Grant (MIG)		35,505	30,417	31,286	31,873	31,873	31,873	31,679	34,179	36,009
Integrated National Electrification		12,000	13,999	15,000	8,000	8,000	8,000	8,000	8,000	6,000
Total Capital Transfers and Grants	5	47,505	44,416	46,286	39,873	39,873	39,873	39,679	42,179	42,009
TOTAL RECEIPTS OF TRANSFERS & GRANTS		176,812	169,174	189,195	200,646	200,051	200,051	210,838	221,988	231,006

Municipal tariffs

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and

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agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- ✚ The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate a 30 per cent rebate will be granted on all residential properties (including state owned residential properties);
- ✚ 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

The category of rate-able properties for purposes of levying rates and the proposed rates for the 2020/21 financial year is contained below:

Table 4 Comparison of proposed rates to be levied for the 2020/21 financial year:

Category	Proposed Tariff (1 July 2020)
	C
Agricultural Properties	0.00290
Business, Commercial Properties	0.0340
Communal Property	Nil
Industrial Property	0.0340
Mining Property	0.0340
Multiple Purpose property	Nil
Municipal Property	Nil
Places of worship	Nil
Public Benefit Organisations	Nil
Public Service Infrastructure	0.00290
Public Service Purposes	0.0147
Residential (Rebate 30%)	0.01184
Specialised Properties	0.01576
Vacant Land Residential	0.01576
Vacant Land Business	0.01576

1.4.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles and equipment, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 5% increase in the waste removal tariff is proposed from 1 July 2020. Any increase higher than 5% would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

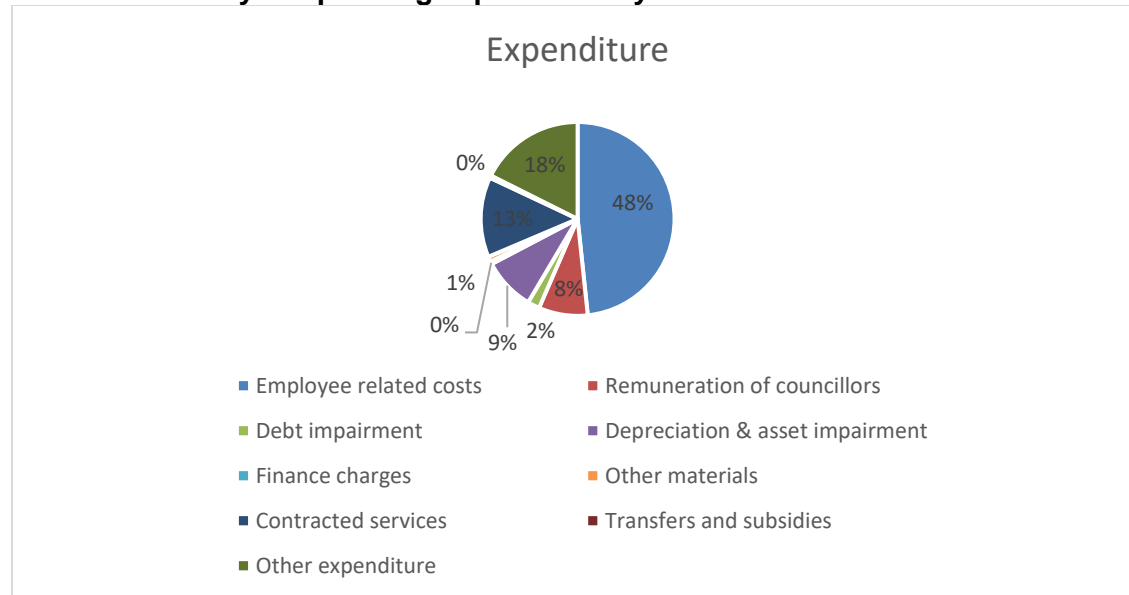
The following table compares current and proposed amounts payable from 1 July 2020:

Table 5 Comparison between current waste removal fees and increases

Category	Proposed Tariff (1 July 2020)
	R
Domestic Consumers	124.81
Business:	
- Bulk	4325.44
- Small	521.85
Governmental Institutions:	
- Hospitals/Clinics	3 834
- Educational	3 834
- Other	3 834
Hall Rental (Refundable Deposit of R300)	2650
Billboards	765.45

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Table 6 Summary of operating expenditure by standard classification item



Description	Ref	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1							
Expenditure By Type								
Employee related costs	2	89,491	90,309	90,309	90,309	95,954	101,951	108,323
Remuneration of councillors		15,487	15,487	15,487	15,487	16,261	17,074	17,928
Debt impairment	3	1,000	800	800	800	4,000	4,200	4,410
Depreciation & asset impairment	2	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Finance charges		500	300	300	300	869	301	111
Other materials	8	1,385	1,902	1,902	1,902	1,720	1,596	1,676
Contracted services		26,760	32,886	32,886	32,886	26,558	28,827	30,841
Transfers and subsidies		1,950	759	759	759	794	830	869
Other expenditure	4, 5	43,916	40,888	40,888	40,888	34,970	35,987	37,214
Total Expenditure		190,087	192,931	192,931	192,931	198,574	209,087	220,608

Employee Related Cost

The budgeted allocation for employee related costs for the 2020/21 financial year totals R95.9 million, which equals 48% of the total operating expenditure.

Employee related cost for 2020/21 budget year has increase by 6.25% from 2019/20 adjusted budgeted. The increase considers the signed collective agreement as well as other benefits. The year-to-date employee related cost is expected to be plus or minus R98 million. There will be a decrease in employee related cost in 2020/21 of plus or minus R4 million from 2019/2020 financial year. The decrease in employee related cost is attributable to the end of contract of employment for contracted employees in September 2020.

Remuneration of Councillors

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). A percentage increase of 5% has been factored into the budget for this financial year.

Debt Impairment

The provision of debt impairment was determined based on an annual collection rate of 70 per cent and the Debt Write-off Policy of the Municipality. For the 2020/21 financial year this amount equates to R4 million and increases up to R4.4 million by 2022/23. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Depreciation

Provision for depreciation and asset impairment has been informed by the Municipality's Property, plant and Equipment Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R17 million for the 2020/21 financial. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance Charges

Finance charges make up 0.43 percent of operating expenditure. Included in this line item is the expenditure for bank charges, interest or penalties charged on delayed payments, interest on loan for purchase of vehicles .

Contracted services

have been identified as a major cost driver for the municipality, as the bulk of the operations and maintenance of the buildings and infrastructure is outsourced. As part of the compilation of the 2020/21 MTREF this group of expenditure was critically evaluated and it was proposed at the Management Committee meeting that the municipality needs to acquire and implement a system that will correctly flag any operational inefficiencies that may be there in this contract. In the 2020/21 financial year, the contracted service is budgeted for at R28 million. It must be noted that some contract will be re-negotiated during 2020/21 financial year to ensure that they are pruned to meet the municipality's budget. As part of this review exercise, a business process reengineering process will commence in the 2020/21 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out. The outcome of this exercise will be factored into the next budget cycle and it is envisaged that additional cost savings will be implemented.

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Description	Ref	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand					
<u>Contracted services</u>					
Consultants and professionals		–	6,340	6,710	7,045
Outsourced services		1,000			
Security Services		4,400	4,500	4,725	4,961
Cotractors for maintenance		5,165	8,063	5,880	9,580
Compilation of Valuation Roll		150	200	210	221
Pauper Burials		470	400	420	441
Training for Councillors		360			
Collection Cost		400	480	504	429
catering		3,160	1,029	1,080	1,134
Legal Cost		2,400	1,500	2,100	2,205
Event Promoters		349			
Transport Services		1,114	410	431	452
pest control		60	65	68	72
Stage and Sound Crew		258	45	47	55
Interior Decorator		110	14	15	15
Other contrated services		13,492	3,513	6,638	4,231
sub-total	1	32,886	26,558	28,827	30,841

Transfers and Grants

Transfers and grants of R794 thousand relates to the provision for 50kwv free basic electricity (FBE).

Other expenditure

comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. The budget in this line item for the 2020/21 financial year is R34 million, increasing to R35 million in the two outer years.

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Description	Ref	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
		Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand					
Other Expenditure By Type					
Audit fees	3	1,800	2,800	2,940	3,087
General expenses		13,734	10,152	10,078	5,448
Advertising, Publicity and Marketing		509	410	531	452
Rentals Car Hire		1,000	1,000	1,050	1,103
Telephone (Cellphone)		2,240	2,000	2,100	2,205
Communication		957	1,350	1,418	2,977
External Computer Service		270			
Hire Charges [Expenditure		7,187	5,071	5,324	5,590
Printing, Publications and Books		800	1,000	1,050	1,103
Professional Bodies, Membership and Subscription		1,783	2,100	2,205	4,520
Remuneration to Ward Committees		1,200	2,142	2,249	2,362
Travel and Subsistence		2,530	2,106	2,214	3,882
Uniform and Protective Clothing		1,570	840	882	926
Wet Fuel		1,220	1,200	1,260	1,323
Insurance		760	800	840	882
Rewards Incentives		30			
Office Equipment Rentals Operating lease		3,300	2,000	1,847	1,355
Total 'Other' Expenditure	1	40,888	34,970	35,987	37,214

1.4.3 Priority given to repairs and maintenance

In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

***Final budget and Medium Term Revenue & Expenditure Framework for 2020/21
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Table 7 Operational repairs and maintenance

Description	Ref	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1						
<u>Repairs and maintenance expenditure by Asset Class/Sub-class</u>							
<u>Infrastructure</u>		2,100	3,640	3,640	3,500	3,675	3,859
Roads Infrastructure		2,100	3,640	3,640	3,500	3,675	3,859
Roads		2,100	3,640	3,640	3,500	3,675	3,859
<u>Community Assets</u>		–	–	–	300	315	331
Community Facilities		–	–	–	300	315	331
Halls					300	315	331
<u>Other assets</u>		2,579	4,000	4,000	3,000	3,150	3,308
Operational Buildings		2,579	4,000	4,000	3,000	3,150	3,308
Municipal Offices		2,579	4,000	4,000	3,000	3,150	3,308
<u>Computer Equipment</u>		50	50	50	60	63	66
Computer Equipment		50	50	50	60	63	66
<u>Machinery and Equipment</u>		80	80	80	–	–	–
Machinery and Equipment		80	80	80			
<u>Transport Assets</u>		1,000	1,405	1,405	1,500	1,575	1,654
T transport Assets		1,000	1,405	1,405	1,500	1,575	1,654
Total Repairs and Maintenance Expenditure	1	5,809	9,175	9,175	8,360	8,778	9,217

The infrastructure relating to electricity, water and sanitation is now the responsibility of the District Municipality. The total allocation for 2020/21 equates to R8.3 million, R8.7 million and R9.2 million for 2021/22 and 2022/23 respectively. In relation to the total operating expenditure, repairs and maintenance comprises of 4% for 2020/21 and also 4% for the two outer years of the MTREF.

1.4.4 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 80 000 or more indigent households during the 2020/21 financial year, a process is reviewed annually. Details relating to free services, cost of free basis services as well as basic service delivery measurement is contained in Table21 SA10 (Basic Service Delivery Measurement) on page 30.

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The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 8 2020/2021 Medium-term capital budget per vote

Description	Ref	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1						
Capital expenditure on new assets by Asset Class/Sub-class							
Infrastructure		46,793	40,793	40,793	38,145	42,179	42,009
Roads Infrastructure		38,793	32,793	32,793	30,145	34,179	36,009
Roads		38,793	32,793	32,793	30,145	34,179	36,009
Electrical Infrastructure		8,000	8,000	8,000	8,000	8,000	6,000
Capital Spares		8,000	8,000	8,000	8,000	8,000	6,000
Computer Equipment		443	200	200	–	–	–
Computer Equipment		443	200	200			
Furniture and Office Equipment		300	223	223	–	–	–
Furniture and Office Equipment		300	223	223			
Machinery and Equipment		180	700	700	100	–	–
Machinery and Equipment		180	700	700	100		
Transport Assets		4,350	4,350	4,350	–	–	–
Transport Assets		4,350	4,350	4,350			
Total Capital Expenditure on new assets	1	52,066	46,266	46,266	38,245	42,179	42,009

For 2020/2020 financial year an amount of R38.2 million has been appropriated for the development of infrastructure and community assets which presents 99% of the total capital budget, R38.2 million includes R100 thousand allocated from the equitable share, in the outer years this amount totals R42.1 million and R42 million respectively for each of the financial years.

Total new assets represent 100% or R38.2 million of the total capital budget while no capital budget allocation has been made for assets renewal. Further detail relating to asset classes and proposed capital expenditure is contained in Table 20 A9 (Asset Management) on page 36. In addition to the MBRR table A9, MBRR table SA34a,b,c provide a detailed breakdown of the capital programme relating to new assets construction, capital asset renewal as well as operational repairs and maintenance by asset class. Some of the projects to be undertaken over the medium-term included, amongst others

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- ✚ *Electrification projects to the value of R8 million to fund the following projects : Mcakwini and Nkukwini area R4 million and Ebuhleni R4 million*
- ✚ *Construction of rural roads R12.6 million and community halls– R1.4 million*
- ✚ *Construction of Creshes–R1.8*
- ✚ *Storm Water drainage System R7 million*
- ✚ *side walks R3.4 million*
- ✚ *Street Lights in town R3.5 million*
- ✚ *Office equipment – R100 thousands*

1.6 Annual Budget Tables

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2020/21 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

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Table 9 MBRR Table A1 - Budget Summary

Description	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 medium term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousands										
<u>Financial Performance</u>										
Property rates	19,507	20,848	22,123	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges	1,723	1,824	1,881	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Investment revenue	2,444	1,831	1,580	2,041	2,041	2,041	2,041	2,143	2,250	2,363
Transfers recognised - operational	124,758	131,847	141,954	162,773	160,178	160,178	160,178	171,159	179,809	188,997
Other own revenue	3,980	5,523	5,262	5,456	5,458	5,458	5,458	5,748	6,054	6,376
Total Revenue (excluding capital transfers and contributions)	152,413	161,873	172,801	197,930	194,974	194,974	194,974	207,684	218,208	229,393
Employee costs	73,795	84,112	94,542	89,491	90,309	90,309	90,309	95,954	101,951	108,323
Remuneration of councillors	13,185	13,815	13,532	15,487	15,487	15,487	15,487	16,261	17,074	17,928
Depreciation & asset impairment	12,817	17,931	20,018	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Finance charges	142	243	413	500	300	300	300	869	301	111
Materials and bulk purchases	–	5,901	6,038	1,385	1,902	1,902	1,902	1,720	1,596	1,676
Transfers and grants	–	1,500	124	1,950	759	759	759	794	830	869
Other expenditure	66,496	60,341	55,470	71,675	74,575	74,575	74,575	65,528	69,014	72,465
Total Expenditure	166,435	183,844	190,137	190,087	192,931	192,931	192,931	198,574	209,087	220,608
Surplus/(Deficit)	(14,022)	(21,971)	(17,336)	7,843	2,043	2,043	2,043	9,110	9,121	8,784
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	44,416	57,542	31,330	39,873	31,873	31,873	31,873	31,679	34,179	36,009
Surplus/(Deficit) after capital transfers & contributions	30,394	35,571	13,994	47,716	33,916	33,916	33,916	40,789	43,300	44,793
Surplus/(Deficit) for the year	30,394	35,571	13,994	47,716	33,916	33,916	33,916	40,789	43,300	44,793
<u>Capital expenditure & funds sources</u>										
Capital expenditure	46,706	64,089	31,562	52,066	46,266	46,266	46,266	38,245	42,179	42,009
Transfers recognised - capital	41,672	58,378	30,069	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Borrowing	5,034	5,711	–	4,350	4,350	4,350	4,350	–	–	–
Internally generated funds	–	–	1,493	7,843	2,043	2,043	2,043	100	–	–
Total sources of capital funds	46,706	64,089	31,562	52,066	46,266	46,266	46,266	38,245	42,179	42,009
<u>Financial position</u>										
Total current assets	30,242	31,700	52,215	51,744	61,485	61,485	61,485	58,336	64,927	73,134
Total non current assets	333,789	303,578	315,074	450,185	351,741	351,741	351,741	371,822	395,730	418,552
Total current liabilities	21,617	23,272	42,405	23,911	36,409	29,252	29,252	19,676	18,595	13,883
Total non current liabilities	3,185	10,901	10,161	14,393	20,375	20,375	20,375	17,370	18,125	19,514
Community wealth/Equity	339,228	301,105	314,722	463,625	356,441	363,599	363,599	393,112	423,937	458,289
<u>Cash flows</u>										
Net cash from (used) operating	43,910	44,210	36,428	47,039	45,800	45,800	45,800	28,634	41,959	43,147
Net cash from (used) investing	(46,724)	(45,849)	(31,353)	(47,716)	(38,441)	(38,441)	(38,441)	(38,245)	(42,179)	(42,009)
Net cash from (used) financing	(54)	103	–	(1,591)	(530)	(530)	(530)	(1,500)	(1,493)	(1,682)
Cash/cash equivalents at the year end	3,678	2,142	7,139	1,390	13,968	13,968	13,968	2,857	1,144	600
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	3,678	2,064	7,139	1,390	13,968	13,968	13,968	2,857	1,144	600
Application of cash and investments	3,593	(555)	8,347	(16,209)	(9,481)	(9,481)	(9,481)	(16,289)	(22,735)	(31,226)
Balance - surplus (shortfall)	85	2,619	(1,208)	17,599	23,449	23,449	23,449	19,145	23,879	31,826
<u>Asset management</u>										
Asset register summary (WDV)	319,530	319,531	335	335,363	335,363	335,363	335,363	315,690	357,769	399,778
Depreciation	12,817	17,931	20,018	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Repairs and Maintenance	–	–	3,800	5,809	9,175	9,175	9,175	8,360	8,778	9,217
<u>Free services</u>										
Revenue cost of free services provided	–	–	–	540	540	540	595	595	595	625

Explanatory notes to Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognized is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation (Table A9) shows that in previous financial years many of the municipal obligations were not cash-backed. This placed the municipality in a very vulnerable financial position, as the revenue collections were at a low level. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.

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Table 10 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Functional Classification Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue - Functional										
Governance and administration		147,280	143,816	150,818	187,603	187,753	187,753	199,454	211,621	222,480
Finance and administration		147,280	143,816	150,818	187,603	187,753	187,753	198,954	211,621	222,480
Community and public safety		1,384	29,331	2,351	3,105	2,360	2,360	3,270	3,449	3,619
Community and social services		944	29,061	2,031	2,764	2,019	2,019	2,912	3,074	3,224
Public safety		440	270	319	341	341	341	358	376	395
Economic and environmental services		45,587	43,526	33,058	44,028	34,030	34,030	33,799	34,335	36,172
Planning and development		68	148	157	2,139	141	141	120	156	163
Road transport		45,519	43,378	32,901	41,889	33,889	33,889	33,679	34,179	36,009
Trading services		1,790	1,904	17,018	2,123	1,760	1,760	1,848	1,940	2,037
Energy sources		-	-	15,000	-	-	-	-	-	-
Waste management		1,790	1,904	2,018	2,123	1,760	1,760	1,848	1,940	2,037
Other	4	787	838	886	945	945	945	992	1,041	1,093
Total Revenue - Functional	2	196,829	219,415	204,131	237,803	226,847	226,847	239,363	252,387	265,402
Expenditure - Functional										
Governance and administration		88,535	99,478	81,689	115,136	112,054	112,054	105,396	111,720	117,223
Executive and council		36,611	37,704	31,835	38,241	39,502	39,502	35,494	37,507	39,577
Finance and administration		51,924	61,774	49,854	76,895	72,552	72,552	69,902	74,212	77,646
Community and public safety		34,557	47,717	25,782	39,719	44,185	44,185	49,842	50,776	54,497
Community and social services		26,274	39,282	15,811	29,249	32,719	32,719	35,952	36,687	40,916
Public safety		8,282	8,435	9,970	10,469	11,466	11,466	13,890	14,090	13,581
Economic and environmental services		27,378	21,826	61,201	23,100	25,024	25,024	32,011	34,423	36,791
Planning and development		9,235	13,114	8,184	10,324	8,634	8,634	9,859	11,475	12,140
Road transport		18,143	8,712	53,017	12,777	16,390	16,390	22,152	22,948	24,651
Trading services		11,944	12,453	21,465	8,813	8,363	8,363	7,637	8,250	7,934
Waste management		11,944	12,453	21,465	8,813	8,363	8,363	7,637	8,250	7,934
Other	4	4,021	2,370	-	3,318	3,304	3,304	3,688	3,918	4,163
Total Expenditure - Functional	3	166,435	183,844	190,137	190,087	192,931	192,931	198,574	209,087	220,608
Surplus/(Deficit) for the year		30,394	35,571	13,994	47,716	33,916	33,916	40,789	43,300	44,793

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4 on page 26.

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3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table 11 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue by Vote	1									
Vote 1 - Governance and Administration		–	–	–	–	–	–	500	–	–
Vote 2 - Financial Service		146,737	143,816	150,243	186,997	187,148	187,148	198,319	210,954	221,778
Vote 3 - Corporate Services		–	–	575	605	605	605	635	667	702
Vote 4 - Sport, Recreation and Community Services		944	29,061	2,031	2,764	2,019	2,019	2,912	3,074	3,224
Vote 5 - Economic and Environmental Services		45,587	43,526	48,058	44,028	34,030	34,030	33,799	34,335	36,172
Vote 6 - Transport and Roads		787	838	886	945	944	944	992	1,041	1,093
Vote 7 - Safety and Security		983	270	319	341	341	341	358	376	395
Vote 8 - Solid Waste Management		1,790	1,904	2,018	2,123	1,760	1,760	1,848	1,940	2,037
Total Revenue by Vote	2	196,829	219,415	204,131	237,803	226,847	226,847	239,363	252,387	265,402
Expenditure by Vote to be appropriated	1									
Vote 1 - Governance and Administration		25,965	36,326	31,835	38,241	39,502	39,502	35,494	37,507	39,577
Vote 2 - Financial Service		36,892	40,490	22,622	43,784	44,192	44,192	43,369	45,825	48,156
Vote 3 - Corporate Services		19,847	20,034	27,232	33,111	28,360	28,360	28,533	28,388	29,491
Vote 4 - Sport, Recreation and Community Services		25,685	19,839	15,811	29,249	32,719	32,719	35,952	36,687	40,916
Vote 5 - Economic and Environmental Services		22,930	35,365	42,109	21,329	25,024	25,024	32,011	34,423	36,791
Vote 6 - Transport and Roads		13,870	13,197	19,092	4,633	2,847	2,847	3,196	3,396	3,609
Vote 7 - Safety and Security		9,377	3,025	9,970	10,469	11,466	11,466	13,890	14,090	13,581
Vote 8 - Solid Waste Management		11,344	15,211	21,465	8,813	8,363	8,363	7,637	8,250	7,934
Vote 9 - Tourism		525	357	–	457	457	457	491	522	555
Total Expenditure by Vote	2	166,435	183,844	190,137	190,087	192,931	192,931	198,574	209,087	220,608
Surplus/(Deficit) for the year	2	30,394	35,571	13,994	47,716	33,916	33,916	40,789	43,300	44,793

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the waste management services.

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Table 12 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

KZN265 Nongoma - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Revenue By Source											
Property rates	2	19,507	20,848	22,123	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges - refuse revenue	2	1,723	1,824	1,881	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Rental of facilities and equipment		167	234	196	277	280	280	280	294	308	324
Interest earned - external investments		2,444	1,831	1,580	2,041	2,041	2,041	2,041	2,143	2,250	2,363
Interest earned - outstanding debtors			2,979	3,519	2,735	2,735	2,735	2,735	2,872	3,016	3,166
Fines, penalties and forfeits		268	274	435	346	346	346	346	363	381	400
Licences and permits		869	838	926	945	945	945	945	992	1,041	1,093
Transfers and subsidies		124,758	131,847	141,954	162,773	160,178	160,178	160,178	171,159	179,809	188,997
Other revenue	2	2,676	1,198	186	1,153	1,153	1,153	1,153	1,228	1,307	1,392
Total Revenue (excluding capital transfers and contributions)		152,413	161,873	172,801	197,930	194,974	194,974	194,974	207,684	218,208	229,393
Expenditure By Type											
Employee related costs	2	73,795	84,112	94,542	89,491	90,309	90,309	90,309	95,954	101,951	108,323
Remuneration of councillors		13,185	13,815	13,532	15,487	15,487	15,487	15,487	16,261	17,074	17,928
Debt impairment	3	3,977	2,326	(9,239)	1,000	800	800	800	4,000	4,200	4,410
Depreciation & asset impairment	2	12,817	17,931	20,018	9,599	9,599	9,599	9,599	17,448	18,321	19,237
Finance charges		142	243	413	500	300	300	300	869	301	111
Other materials	8		5,901	6,038	1,385	1,902	1,902	1,902	1,720	1,596	1,676
Contracted services		17,133	24,615	35,822	26,760	32,886	32,886	32,886	26,558	28,827	30,841
Transfers and subsidies		—	1,500	124	1,950	759	759	759	794	830	869
Other expenditure	4, 5	45,387	24,887	30,157	43,916	40,888	40,888	40,888	34,970	35,987	37,214
Losses			8,513	(1,269)							
Total Expenditure		166,435	183,844	190,137	190,087	192,931	192,931	192,931	198,574	209,087	220,608
Surplus/(Deficit)		(14,022)	(21,971)	(17,336)	7,843	2,043	2,043	2,043	9,110	9,121	8,784
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		44,416	57,542	31,330	39,873	31,873	31,873	31,873	31,679	34,179	36,009
Surplus/(Deficit) for the year		30,394	35,571	13,994	47,716	33,916	33,916	33,916	40,789	43,300	44,793

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R207.6 million in 2020/21 and increases to R218.2 million by 2020/21.
2. Revenue to be generated from property rates is R26.7 million in the 2020/21 financial year which represents 12.8% of the operating revenue base of the Municipality and R28.1 million by 2021/21.
3. Services charges relating to refuse removal constitutes 1.8% or R1.8 million of the operating revenue budget for the 2020/21 financial year and increasing to R1.9 million by 2021/22.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. in 2020/21 is equal to R171.1 and increases to R179.8 million and R188.9 million in two outer years respectively.

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5. Employee related cost is the main cost-driver within the municipality. Salaries and wages have increased significantly over the 2020/21 to 2022/23 period escalating from R112.2 million to R126.2 million including remuneration of councillors.
6. Contracted Services have decreased from R34.8 million in 2019/20 to R26.5 in 2020/21.
7. Other Expenditure have decreased from R40.8 million in 2019/20 to R34.9 in 2020/21.

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Table 13 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 5 - Economic and Environmental Services		46,561	60,928	30,069	45,873	39,873	39,873	39,873	38,145	42,179	42,009
Capital multi-year expenditure sub-total	7	46,561	60,928	30,069	45,873	39,873	39,873	39,873	38,145	42,179	42,009
Single-year expenditure to be appropriated	2										
Vote 1 - Governance and Administration		–	–	–	1,920	1,920	1,920	1,920	–	–	–
Vote 2 - Financial Service		145	93	416	104	104	104	104	100	–	–
Vote 3 - Corporate Services		–	368	882	1,376	1,576	1,576	1,576	–	–	–
Vote 4 - Sport, Recreation and Community Services		–	700	–	295	295	295	295	–	–	–
Vote 5 - Economic and Environmental Services		–	–	195	920	920	920	920	–	–	–
Vote 7 - Safety and Security		–	1,000	–	1,328	1,328	1,328	1,328	–	–	–
Vote 8 - Solid Waste Management		–	1,000	–	250	250	250	250	–	–	–
Capital single-year expenditure sub-total		145	3,161	1,493	6,193	6,393	6,393	6,393	100	–	–
Total Capital Expenditure - Vote		46,706	64,089	31,562	52,066	46,266	46,266	46,266	38,245	42,179	42,009
Capital Expenditure - Functional											
Governance and administration		145	2,011	1,298	3,400	3,600	3,600	3,600	100	–	–
Executive and council					1,920	1,920	1,920	1,920	–	–	–
Finance and administration		145	2,011	1,298	1,480	1,680	1,680	1,680	100	–	–
Community and public safety		–	1,700	–	1,623	1,623	1,623	1,623	–	–	–
Community and social services			700		295	295	295	295	–	–	–
Public safety			1,000		1,328	1,328	1,328	1,328	–	–	–
Economic and environmental services		46,561	59,378	30,264	38,793	32,793	32,793	32,793	30,145	34,179	36,009
Planning and development		4,890	1,000								
Road transport		41,672	58,378	30,264	38,793	32,793	32,793	32,793	30,145	34,179	36,009
Trading services		–	1,000	–	8,250	8,250	8,250	8,250	8,000	8,000	6,000
Energysources					8,000	8,000	8,000	8,000	8,000	8,000	6,000
Water management			1,000		250	250	250	250			
Total Capital Expenditure - Functional	3	46,706	64,089	31,562	52,066	46,266	46,266	46,266	38,245	42,179	42,009
Funded by:											
National Government		41,672	58,378	30,069	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Transfers recognised - capital	4	41,672	58,378	30,069	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Borrowing	6	5,034	5,711		4,350	4,350	4,350	4,350	–	–	–
Internally generated funds				1,493	7,843	2,043	2,043	2,043	100	–	–
Total Capital Funding	7	46,706	64,089	31,562	52,066	46,266	46,266	46,266	38,245	42,179	42,009

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2020/21 R38.2 million has been

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allocated of the total R42.1 million capital budget, This allocation decreases to R38.2 million in 2020/21 and then increases to R42 million in 2022/23.

3. Internally generated funding amount of R100 thousands, These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding).
4. The Capital programs are funded from National capital grants.
5. Internally generated funding amount to R100 thousands .

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Table 14 MBRR Table A6 -Budgeted Financial Position

KZN265 Nongoma - Table A6 Budgeted Financial Position

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
ASSETS											
Current assets											
Cash		3,678	2,064	7,139	1,390	13,968	13,968	13,968	2,857	1,144	600
Consumer debtors	1	26,564	26,366	43,039	48,855	46,017	46,017	46,017	53,479	61,324	69,577
Other debtors			3,270	2,037	1,500	1,500	1,500	1,500	2,000	2,459	2,957
Total current assets		30,242	31,700	52,215	51,744	61,485	61,485	61,485	58,336	64,927	73,134
Non current assets											
Property, plant and equipment	3	333,789	302,810	314,829	449,724	351,496	351,496	351,496	371,522	395,380	418,152
Intangible			768	245	461	245	245	245	300	350	400
Total non current assets		333,789	303,578	315,074	450,185	351,741	351,741	351,741	371,822	395,730	418,552
TOTAL ASSETS		364,030	335,278	367,288	501,929	413,226	413,226	413,226	430,158	460,657	491,686
LIABILITIES											
Current liabilities											
Borrowing	4	–	188	138	–	667	667	667	1,493	1,682	–
Trade and other payables	4	21,617	22,920	42,156	17,000	28,585	28,585	28,585	18,183	16,913	13,883
Provisions			163	112	6,911	7,157					
Total current liabilities		21,617	23,272	42,405	23,911	36,409	29,252	29,252	19,676	18,595	13,883
Non current liabilities											
Borrowing		–	–	184	10,893	6,371	6,371	6,371	1,682	–	–
Provisions		3,185	10,901	9,977	3,500	14,005	14,005	14,005	15,688	18,125	19,514
Total non current liabilities		3,185	10,901	10,161	14,393	20,375	20,375	20,375	17,370	18,125	19,514
TOTAL LIABILITIES		24,802	34,173	52,566	38,305	56,784	49,627	49,627	37,046	36,720	33,397
NET ASSETS	5	339,228	301,105	314,722	463,625	356,441	363,599	363,599	393,112	423,937	458,289
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		339,228	301,105	314,722	463,625	356,441	363,599	363,599	393,112	423,937	458,289
TOTAL COMMUNITY WEALTH/EQUI	5	339,228	301,105	314,722	463,625	356,441	363,599	363,599	393,112	423,937	458,289

Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councillors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes (SA3 which can be found on page53) providing a detailed analysis of the major components of a number of items, including:

- Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions non-current;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

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Table15 MBRR Table A7 - Budgeted Cash Flow Statement

KZN265 Nongoma - Table A7 Budgeted Cash Flows

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		15,039	17,518	19,653	17,876	22,983	22,983	22,983	17,945	18,863	19,845
Service charges		1,723	1,824	1,197	1,486	792	792	792	905	951	998
Other revenue		345	2,991	1,102	2,478	2,465	2,465	2,465	2,513	2,657	2,810
Transfers and Subsidies - Operational	1	124,672	131,985	156,915	162,773	160,178	160,178	160,178	171,159	179,809	188,997
Transfers and Subsidies - Capital	1	44,456	57,542	31,330	39,873	39,873	39,873	39,873	39,679	42,179	42,009
Interest		1,663	1,556	1,580	2,041	2,041	2,041	2,041	2,143	2,250	2,363
Payments											
Suppliers and employees		(143,845)	(168,964)	(175,349)	(177,038)	(181,473)	(181,473)	(181,473)	(204,048)	(203,619)	(212,895)
Finance charges		(142)	(243)		(500)	(300)	(300)	(300)	(869)	(301)	(111)
Transfers and Grants	1				(1,950)	(759)	(759)	(759)	(794)	(830)	(869)
NET CASH FROM/(USED) OPERATING ACTIVITIES		43,910	44,210	36,428	47,039	45,800	45,800	45,800	28,634	41,959	43,147
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Decrease (increase) in non-current receivables		(18)	(2)	208		3,475	3,475	3,475	-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets		(46,706)	(45,848)	(31,562)	(47,716)	(41,916)	(41,916)	(41,916)	(38,245)	(42,179)	(42,009)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(46,724)	(45,849)	(31,353)	(47,716)	(38,441)	(38,441)	(38,441)	(38,245)	(42,179)	(42,009)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Increase (decrease) in consumer deposits			103						-	-	-
Payments											
Repayment of borrowing		(54)			(1,591)	(530)	(530)	(530)	(1,500)	(1,493)	(1,682)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(54)	103	-	(1,591)	(530)	(530)	(530)	(1,500)	(1,493)	(1,682)
NET INCREASE/(DECREASE) IN CASH HELD		(2,868)	(1,536)	5,075	(2,268)	6,829	6,829	6,829	(11,111)	(1,713)	(544)
Cash/cash equivalents at the year begin:	2	6,546	3,678	2,064	3,657	7,139	7,139	7,139	13,968	2,857	1,144
Cash/cash equivalents at the year end:	2	3,678	2,142	7,139	1,390	13,968	13,968	13,968	2,857	1,144	600

Explanatory Notes to Table A7-Budgeted cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded .
2. It shows the expect level of cash in-flow that is likely to result from the implementation of the budget.

Collection Rate

The Property Rates are at 69% collection rate this is mainly based on the 2019/2020 financial year collection rate.

Service Charges are at 49% collection rate this is mainly based on the march S71 report collection rate.

Other Revenue

An additional amount of R2.4 million has been budgeted for other revenue such as Sale of tender documents, Rate Clearance certificate , photo copies and Building Plans.

Suppliers and Employees

The Municipality has noted that the employee related cost is very high hence taken steps to only fill the critical vacant posts.

There will be a close monitoring on spending patterns to reduce outflow of cash to suppliers and cost cutting measures are being implemented to reduce current obligations and pay outstanding creditors .

3. The 2020/2021 MTREF provide for a net increase in cash of R11.1 million for the 2020/21 financial year resulting in an overall projected positive cash position, and it must also be considered that the municipality did not budgeted for vat as additional income, this means there's positive contribution to the funding of the municipal budget.

4.The other Cash flow Payments will fund creditors at year end, and other payment due.

5. For 2020/2021 MTREF the budget has been prepared to ensure high levels of Cash and Cash equivalents over the Medium-term with Cash levels anticipated to amount R2.8 by 2020/21.

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Table 16 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

KZN265 Nongoma - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	3,678	2,142	7,139	1,390	13,968	13,968	13,968	2,857	1,144	600
Other current investments > 90 days		0	(78)	—	—	—	—	—	—	—	—
Cash and investments available:		3,678	2,064	7,139	1,390	13,968	13,968	13,968	2,857	1,144	600
Application of cash and investments											
Unspent conditional transfers		175	1,007	449	—	—	—	—	—	—	—
Other working capital requirements	3	3,419	(1,561)	9,623	(16,209)	(9,481)	(9,481)	(9,481)	(16,289)	(22,735)	(31,226)
Total Application of cash and investments:		3,593	(555)	10,072	(16,209)	(9,481)	(9,481)	(9,481)	(16,289)	(22,735)	(31,226)
Surplus(shortfall)		85	2,619	(2,933)	17,599	23,449	23,449	23,449	19,145	23,879	31,826

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 86 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Compliance with section 18 of the MFMA is assumed because a surplus would indicate that the annual budget is appropriately funded.
5. The budget for the MTREF 2020/21 to 2022/23 with a positive surplus of R2.8, R1.1. and R600 thousand is appropriately funded.

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Table 17 MBRR Table A9 - Asset Management

KZN265 Nongoma - Table A9 Asset Management

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	46,706	64,089	55,206	52,066	46,266	46,266	38,245	42,179	42,009
Roads Infrastructure		46,706	58,378	39,786	38,793	32,793	32,793	30,145	34,179	36,009
Electrical Infrastructure		-	-	15,000	8,000	8,000	8,000	8,000	8,000	6,000
Solid Waste Infrastructure		-	1,000	-	-	-	-	-	-	-
Infrastructure		46,706	59,378	54,786	46,793	40,793	40,793	38,145	42,179	42,009
Community Facilities		-	2,000	-	-	-	-	-	-	-
Community Assets		-	2,000	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	200	290	443	200	200	-	-	-
Furniture and Office Equipment		-	500	130	300	223	223	-	-	-
Machinery and Equipment		-	511	-	180	700	700	100	-	-
Transport Assets		-	1,500	-	4,350	4,350	4,350	-	-	-
Total Capital Expenditure	4	46,706	64,089	55,206	52,066	46,266	46,266	38,245	42,179	42,009
Roads Infrastructure		46,706	58,378	39,786	38,793	32,793	32,793	30,145	34,179	36,009
Electrical Infrastructure		-	-	15,000	8,000	8,000	8,000	8,000	8,000	6,000
Solid Waste Infrastructure		-	1,000	-	-	-	-	-	-	-
Infrastructure		46,706	59,378	54,786	46,793	40,793	40,793	38,145	42,179	42,009
Community Facilities		-	2,000	-	-	-	-	-	-	-
Community Assets		-	2,000	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	200	290	443	200	200	-	-	-
Furniture and Office Equipment		-	500	130	300	223	223	-	-	-
Machinery and Equipment		-	511	-	180	700	700	100	-	-
Transport Assets		-	1,500	-	4,350	4,350	4,350	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class		46,706	64,089	55,206	52,066	46,266	46,266	38,245	42,179	42,009
ASSET REGISTER SUMMARY - PPE (WDV)	5	319,530	319,531	335	335,363	335,363	335,363	315,690	357,769	399,778
Roads Infrastructure		178,657	176,594	199	199,478	199,478	199,478	229,622	263,801	299,810
Electrical Infrastructure		61,231	58,200	78	77,968	77,968	77,968	85,968	93,968	99,968
Infrastructure		239,888	234,794	277	277,446	277,446	277,446	315,590	357,769	399,778
Community Assets		79,365	84,241	58	57,541	57,541	57,541	-	-	-
Intangible Assets		-	-	-	376	376	376	-	-	-
Furniture and Office Equipment		277	496	0	-	-	-	100	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	319,530	319,531	335	335,363	335,363	335,363	315,690	357,769	399,778
EXPENDITURE OTHER ITEMS		12,817	17,931	23,818	15,408	18,774	18,774	25,808	27,099	28,454
Depreciation	7	12,817	17,931	20,018	9,599	9,599	9,599	17,448	18,321	19,237
Repairs and Maintenance by Asset Class	3	-	-	3,800	5,809	9,175	9,175	8,360	8,778	9,217
Roads Infrastructure		-	-	2,000	2,100	3,640	3,640	3,500	3,675	3,859
Infrastructure		-	-	2,000	2,100	3,640	3,640	3,500	3,675	3,859
Community Facilities		-	-	-	-	-	-	300	315	331
Community Assets		-	-	-	-	-	-	300	315	331
Heritage Assets		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	1,800	2,579	4,000	4,000	3,000	3,150	3,308
Housing		-	-	-	-	-	-	-	-	-
Other Assets		-	-	1,800	2,579	4,000	4,000	3,000	3,150	3,308
Intangible Assets		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	50	50	50	60	63	66
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	80	80	80	-	-	-
Transport Assets		-	-	-	1,000	1,405	1,405	1,500	1,575	1,654
TOTAL EXPENDITURE OTHER ITEMS		12,817	17,931	23,818	15,408	18,774	18,774	25,808	27,099	28,454

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not have major assets that need to be renewed. The MIG and electricity projects capital projects that are being undertaken at this stage are fairly new and will probably not be renewed during the current MTREF. It is for the same reason that the budget for repairs and maintenance is not 8% of the net asset value of the municipality's property, plant and equipment.

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Table 18 MBRR Table A10 - Basic Service Delivery Measurement

Description	Ref	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)		759	759	759	794	830	869
Total revenue cost of subsidised services provided		759	759	759	794	830	869

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The Municipality has a huge backlog of basic services delivery. The services such as water and sanitation are the responsibility of the Zululand District Municipality whilst ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma.

- **Electricity**

ESKOM has been appointed as the prime supplier of electricity reticulation in Nongoma and the existing bulk supply is being upgraded to meet the existing and future demands of Nongoma town and the surrounding areas. The municipality area is covered by metered electricity supply whilst those areas in the former Tribal Areas are served with pre-paid electricity supply as well as metered electricity supply in selected areas.

- **Refuse**

There are no formal refuse removal services or refuse dumps in the rural areas of Nongoma. There is a landfill site in Nongoma Town which is almost full. However, it should be noted that in the town this function is being investigated with a view to realizing greater efficiencies.

3. The Free Basic Services will cost the municipality R794 thousand in 2020/21. The provision of free basic electricity is covered by the municipality's equitable share allocation from national government.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 15) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled an IDP/Budget Process Plan during 30 August 2019 as required by the MFMA. The Key dates applicable to the process were:

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- ✚ **23 January 2020** - Council considers the 2019/20 Mid-year and performance assessment.
- ✚ **27 February 2020**- Council revised budget
- ✚ **20 February 2020** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- ✚ **03 March 2020** – Commencing the departmental budget consolidation process and the budget and treasury office commence preparation of draft budget for the 2018/19 financial period.
- ✚ **28 March 2020** - Tabling in Council of the draft 2020/21 IDP and 2022/23 MTREF for public consultation;
- ✚ **May 2020** – Public consultation commences
- ✚ **20 May 2020** - Closing date for written comments;
- ✚ **21 to 29 May 2020** – finalization of the 2020/21 IDP and 2022/23 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- ✚ **05 June 2020** - Tabling of the 2020/21 MTREF before Council for consideration and approval.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- ✚ Registration of community needs;
- ✚ Compilation of departmental business plans including key performance indicators and targets;
- ✚ Financial planning and budgeting process;
- ✚ Public participation process;
- ✚ Compilation of the SDBIP, and
- ✚ The review of the performance management and monitoring processes.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2020/21 MTRE, an extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

- ✚ Municipality growth
- ✚ Policy priorities and strategic objectives
- ✚ Asset maintenance
- ✚ Economic climate and trends
- ✚ Performance trends
- ✚ The approved 2018/19 adjustments budget and performance against the SDBIP
- ✚ Cash Flow Management Strategy
- ✚ Debtor payment levels
- ✚ Loan and investment possibilities
- ✚ The need for tariff increases versus the ability of the community to pay for services;
- ✚ Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 78, 99 and 79 – budget circulars - has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The 2020/21 draft budget and MTREF after being tabled before Council for approval on 25 March 2020 was made available at municipal offices and municipal library for public comments. In addition to that, consultation process included invitation of the community to the IDP/Budget Road shows as planned. The road shows were held at different places within Nongoma municipal area of jurisdiction as identified by council as follows:

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs. Also Ward Committees will play a vital role in facilitating the community consultation process.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant consider as part of the finalisation of the 2020/21 MTREF.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A

clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- ✚ Green Paper on National Strategic Planning of 2009;
- ✚ Government Programme of Action;
- ✚ Development Facilitation Act of 1995;
- ✚ Provincial Growth and Development Strategy (GGDS);
- ✚ National and Provincial spatial development perspectives;
- ✚ Relevant sector plans such as transportation, legislation and policy;
- ✚ National Key Performance Indicators (NKGIs);
- ✚ Accelerated and Shared Growth Initiative (ASGISA);
- ✚ National 2016 Vision;
- ✚ National Spatial Development Perspective (NSDP) and
- ✚ The National Priority Outcomes.

In January 2010 government adopted twelve outcomes underpinning its long term development strategy as a key focus of work to be done between now and 2015. Each of the 12 outcomes has a delivery agreement that in most cases involve all spheres of government and a range of partners outside government. Combined, these agreements reflect Government's delivery and implementation plans for its foremost priorities.

The Medium Term Strategic Framework (MTSF) of Government identifies a number of priorities that are based on the electoral mandate. The outcomes-based approach further identifies the 12 desired outcomes of Government. These are:

1. Improved quality of basic education.

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2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Vibrant, equitable and sustainable rural communities with food security for all.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.
11. Creating a better South Africa and contributing to a better and safer Africa in a better world.
12. An efficient, effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2020/21 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 22 IDP Strategic Objectives

2020/20 MTREF	
1.	Provision of quality basic services and infrastructure
2.	Economic growth and development that leads to sustainable job creation
3.1	Fight poverty and build clean, healthy, safe and sustainable communities
3.2	Integrated Social Services for empowered and sustainable communities
4.	Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5.1	Promote sound governance

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5.2	Ensure financial sustainability
5.3	Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity (through Eskom)
 - Provide water (through District Municipality)
 - Provide sanitation (through District Municipality)
 - Provide solid waste removal
 - Provide housing (through Department of Human Settlements)
 - Provide roads and storm water
 - Provide municipality planning services; and
 - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
3. Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Extending waste removal services and ensuring effective municipality cleansing;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;

- Promote viable, sustainable communities through proper zoning.
- 4. Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
- 5. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance and communication through:
 - Publishing the outcomes of all tender processes and other information on the municipal website.
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan.
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
 - Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

This 2020/20 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

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Table 23MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

KZN265 Nongoma - Supporting Table SA4 Reconciliation of IDP strategic objectives and budget (revenue)

Supporting Table on Accommodation of RDP Strategic Objectives and Budget (Revenue)													
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
R thousand													
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			39,365	43,883	40,826	47,560	45,369	45,369	48,440	51,211	54,084	
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			39,365	43,883	40,826	47,560	45,369	45,369	48,440	51,211	54,084	
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.			39,365	43,883	40,826	47,560	45,369	45,369	48,440	51,211	54,084	
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection servi			39,365	43,883	40,826	47,560	45,369	45,369	48,440	51,211	54,084	
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			39,369	43,883	42,401	47,563	45,371	45,371	45,603	47,543	49,065	
Total Revenue (excluding capital transfers and contributions)				1	196,829	219,415	205,705	237,803	226,847	226,847	239,363	252,387	265,401

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Table 24MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

KZN265 Nongoma - Supporting Table SA5 Reconciliation of IDP strategic objectives and budget (operating expenditure)

REVENUE HONGOMA Supporting Table One Reconciliation of MD Strategic Objectives and Budget (Operating Expenditure)													
Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework			
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
R thousand													
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.			33,287	36,768	38,416	38,017	38,586	38,586	42,085	44,376	46,882	
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.			33,287	36,768	38,416	38,017	38,586	38,586	42,085	44,376	46,882	
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.			33,287	36,768	38,416	38,017	38,586	38,586	42,085	44,376	46,882	
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS			33,287	36,768	38,416	38,017	38,586	38,586	42,085	44,376	46,882	
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.			33,287	36,772	36,473	38,019	38,587	38,587	42,085	44,376	46,884	
Allocations to other priorities													
Total Expenditure				1	166,435	183,844	190,137	190,087	192,931	192,931	198,574	209,087	220,608

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Table 25MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

KZN265 Nongoma - Supporting Table SA6 Reconciliation of IDP strategic objectives and budget (capital expenditure)

Strategic Objective	Goal	Goal Code	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand												
Provide sound democratic and accountable governance that promotes effective communication; financial viability and optimal institutional transformation.	Providing oversight over the administration of the municipality; reviewing financial reports and performance reports; review of the organisational structure to optimise the use of personnel.	A		9,341	12,817	7,713	10,413	9,253	9,253	7,649	8,435	8,402
Provide quality basic services and infrastructure.	Provision of waste removal; roads and storm water; town planning services and maintaining the assets and infrastructure of the town.	C		9,341	12,817	7,713	10,413	9,253	9,253	7,649	8,435	8,402
Foster participatory democracy and Batho Pele through caring, accessible and accountable service.	Optimising effective community participation in the ward committee system; and the implementation of Batho pele in the revenue management strategy.	E		9,341	12,817	7,713	10,413	9,253	9,253	7,649	8,435	8,402
Fight poverty and build clean, healthy, safe sustainable communities as well as ensure integrated social services for communities.	Effective implementation of indigent policy, working with Health Organisations to implement HIV/AIDS Awareness Campaigns; extending waste removal services; and ensuring the landfill site meets the environmental requirements; ensuring the protection servi	G		9,341	12,817	7,713	10,413	9,253	9,253	7,649	8,435	8,402
Economic growth and development that leads to sustainable job creation.	Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.	I		9,342	12,821	7,714	10,414	9,254	9,254	7,649	8,439	8,402
Allocations to other priorities			3									
Total Capital Expenditure			1	46,706	64,089	38,566	52,066	46,266	46,266	38,245	42,179	42,009

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has for the first time developed and implemented a performance management system. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

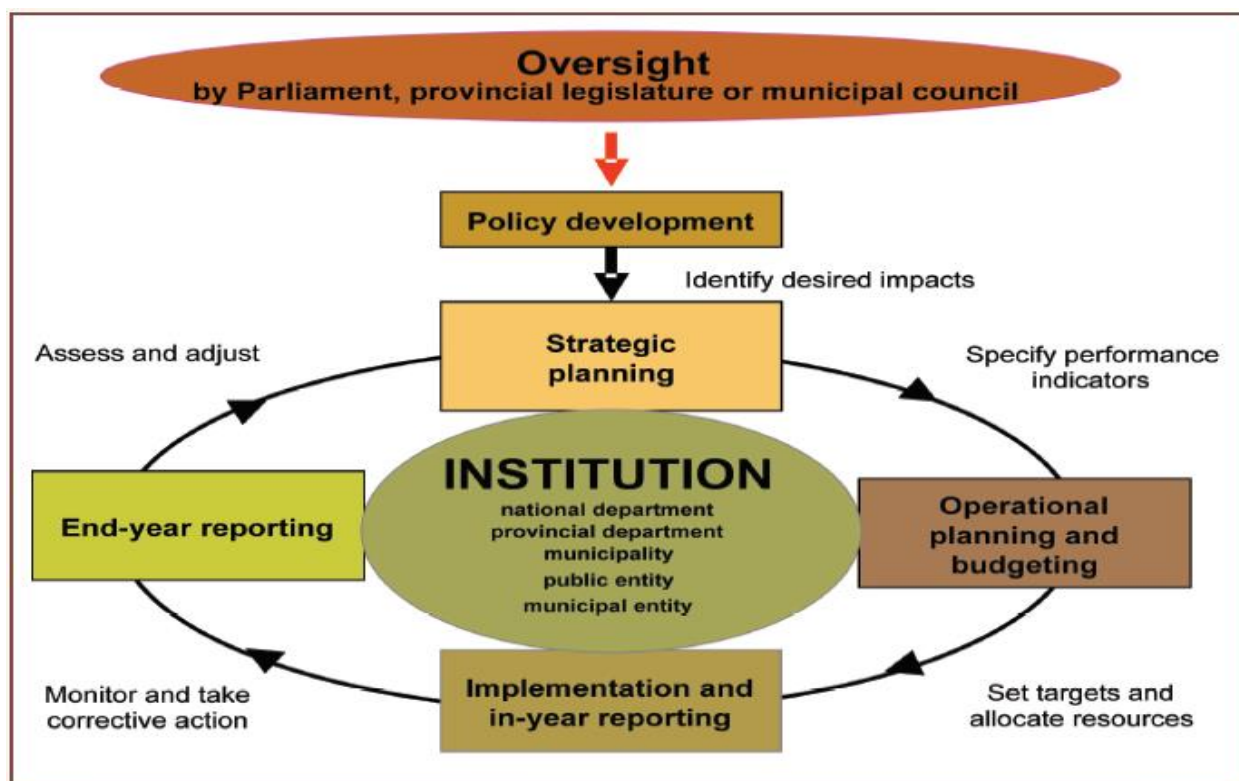


Figure 1Planning, budgeting and reporting cycle

The performance of the Municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Municipality therefore has adopted one integrated performance management system which encompasses:

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- ✚ Planning (setting goals, objectives, targets and benchmarks);
- ✚ Monitoring (regular monitoring and checking on the progress against plan);
- ✚ Measurement (indicators of success);
- ✚ Review (identifying areas requiring change and improvement);
- ✚ Reporting (what information, to whom, from whom, how often and for what purpose); and
- ✚ Improvement (making changes where necessary).

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

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Table 27MBRR Table SA8 - Performance indicators and benchmarks

KZN265 Nongoma - Supporting Table SA8 Performance indicators and benchmarks

KZN2020/21 Performance Indicators and Benchmarks											
Description of financial indicator	Basis of calculation	Current Year 2019/20							2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Borrowing Management</u>											
Credit Rating											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.1%	0.1%	0.2%	1.1%	0.4%	0.4%	0.4%	1.2%	0.9%	0.8%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.7%	0.8%	1.3%	5.9%	2.4%	2.4%	2.4%	6.5%	4.7%	4.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Safety of Capital</u>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<u>Liquidity</u>											
Current Ratio	Current assets/current liabilities	1.4	1.4	1.2	2.2	1.7	2.1	2.1	3.0	3.5	5.3
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.4	1.4	1.2	2.2	1.7	2.1	2.1	3.0	3.5	5.3
Liquidity Ratio	Monetary Assets/Current liabilities	0.2	0.1	0.2	0.1	0.4	0.5	0.5	0.1	0.1	0.0
<u>Revenue Management</u>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		78.9%	85.3%	87.7%	70.0%	99.8%	99.8%	99.8%	65.8%	65.8%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		79.0%	85.3%	86.9%	70.0%	87.1%	87.1%	87.1%	65.8%	65.8%	65.8%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	17.4%	18.3%	26.1%	25.4%	24.4%	24.4%	24.4%	26.7%	29.2%	31.6%
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within 30 days										
Creditors to Cash and Investments		564.3%	131.5%	288.5%	1151.5%	139.8%	139.8%	139.8%	347.4%	931.2%	1604.6%
Employee costs	Employee costs/(Total Revenue - capital revenue)	48.4%	52.0%	54.7%	45.2%	46.3%	46.3%	46.3%	46.2%	46.7%	47.2%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	57.1%	53.0%	56.7%	53.0%	53.8%	53.8%		54.0%	54.5%	55.0%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	0.0%	0.0%	2.2%	2.9%	4.7%	4.7%		4.0%	4.0%	4.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	8.5%	11.2%	11.8%	5.1%	5.1%	5.1%	5.1%	8.8%	8.5%	8.4%
<u>IDP regulation financial viability indicators</u>											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	17.8	19.0	8.5	13.7	13.7	13.7	9.6	9.8	9.5	10.0
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	124.1%	129.4%	186.3%	180.2%	172.3%	172.3%	172.3%	191.8%	209.8%	226.8%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.3	0.2	0.6	0.1	1.1	1.1	1.1	0.2	0.1	0.0

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and the following related policies:

- Credit control and debt collection procedures/policies;
- Asset Management, Infrastructure Investment and Funding Policy;
- Tariff Policies;
- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Indigent Policy
- Virement Policy

2.5 Overview of budget assumptions

2.5.1 External factors

The economic slowdown has resulted in the financial resources being limited due to reduced payment levels by consumers. As a result the cash inflows have declined which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are four key factors that have been taken into consideration in the compilation of the 2020/20 MTREF:

- ✚ National Government macro economic targets;
- ✚ The general inflationary outlook and the impact on Municipality's residents and businesses;
- ✚ The impact of municipal cost drivers; and
- ✚ The increase in the cost of remuneration. Employee related costs comprise 56% of total operating expenditure in the 2020/21 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement between SALGBC and the municipal workers unions was concluded effective

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. In the 2020/21 MTREF it has been assumed that all borrowings are undertaken using fixed prime interest rates for amortisation-style loans requiring both regular principal and interest payments.

2.5.4 Collection rate for revenue services

The base assumption is that tariff will increase at a rate of inflation provided by National Treasury in Circular 99. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (69 per cent) of annual billings. Cash flow is assumed to be 69 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however be considered a source of additional cash in-flow once the performance has been carefully monitored. The 69 per cent collection rate relates to the recoveries from the business community and the government. The collections from the residents are negligible due to the high rate of unemployment.

2.5.5 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate and real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

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Table 28 Sources of capital revenue over the MTREF

Vote Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Funded by:											
National Government		41,672	58,378	30,069	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Transfers recognised - capital	4	41,672	58,378	30,069	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Borrowing	6	5,034	5,711		4,350	4,350	4,350	4,350	–	–	–
Internally generated funds				1,493	7,843	2,043	2,043	2,043	100	–	–
Total Capital Funding	7	46,706	64,089	31,562	52,066	46,266	46,266	46,266	38,245	42,179	42,009

Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

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Table 29 MBRR SA10 – Funding compliance measurement

KZN265 Nongoma Supporting Table SA10 Funding measurement

XZN265 Nongoma Supporting Table SA10 Funding measurement												
Description	MFMA section	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 medium term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	3,678	2,142	7,139	1,390	13,968	13,968	13,968	2,857	1,144	600
Cash + investments at the yr end less applications - R'000	18(1)b	2	85	2,619	(1,208)	17,599	23,449	23,449	23,449	19,145	23,879	31,826
Cash year end/monthly employee/supplier payments	18(1)b	3	0.3	0.2	0.6	0.1	1.1	1.1	1.1	0.2	0.1	0.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	30,394	35,571	13,994	47,716	33,916	33,916	33,916	40,789	43,300	44,793
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	5	N.A.	0.8%	(0.1%)	9.2%	(7.3%)	(6.0%)	(6.0%)	(1.1%)	(0.9%)	(0.8%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	67.9%	79.2%	75.0%	66.0%	80.1%	80.1%	80.1%	62.1%	62.2%	62.2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	18.7%	10.3%	(38.5%)	3.6%	2.9%	2.9%	2.9%	14.0%	14.0%	13.9%
Capital payments % of capital expenditure	18(1)c:19	8	100.0%	71.5%	100.0%	91.6%	90.6%	90.6%	90.6%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	11.6%	52.1%	11.7%	(5.6%)	0.0%	0.0%	16.8%	15.0%	13.7%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(v)	13	0.0%	0.0%	1.2%	1.3%	2.6%	2.6%	2.4%	2.3%	2.2%	2.2%
Asset renewal % of capital budget	20(1)(v)	14	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Supporting indicators												
% incr total service charges (incl prop rates)	18(1)a			6.8%	5.9%	15.2%	(1.3%)	0.0%	0.0%	4.9%	5.1%	5.2%
% incr Property Tax	18(1)a			6.9%	6.1%	15.4%	0.0%	0.0%	0.0%	4.9%	5.1%	5.2%
% incr Service charges - electricity revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - water revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - sanitation revenue	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% incr Service charges - refuse revenue	18(1)a			5.9%	3.1%	12.9%	(17.1%)	0.0%	0.0%	5.0%	5.0%	5.0%
% incr in	18(1)a			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total billable revenue	18(1)a		21,230	22,673	24,004	27,660	27,297	27,297	27,297	28,633	30,095	31,657
Service charges			21,230	22,673	24,004	27,660	27,297	27,297	27,297	28,633	30,095	31,657
Property rates			19,507	20,848	22,123	25,537	25,537	25,537	25,537	26,785	28,154	29,620
Service charges - refuse removal			1,723	1,824	1,881	2,123	1,760	1,760	1,760	1,848	1,940	2,037
Rental of facilities and equipment			167	234	196	277	280	280	280	294	308	324
Capital expenditure excluding capital grant funding			5,034	5,711	1,493	12,193	6,393	6,393	6,393	100	-	-
Cash receipts from ratepayers	18(1)a		17,106	22,334	21,952	21,840	26,240	26,240	26,240	21,363	22,471	23,653
Ratepayer & Other revenue	18(1)a		25,210	28,196	29,266	33,116	32,755	32,755	32,755	34,381	36,149	38,033
Change in consumer debtors (current and non-current)			7,300	3,073	15,439	5,279	2,441	2,441	2,441	5,125	8,303	8,751
Operating and Capital Grant Revenue	18(1)a		169,174	189,389	173,284	202,646	192,051	192,051	192,051	202,838	213,988	225,006
Capital expenditure - total	20(1)(v)		46,706	64,089	31,562	52,066	46,266	46,266	46,266	38,245	42,179	42,009
Supporting benchmarks												
Growth guideline maximum			6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
CPI guideline			4.3%	3.9%	4.6%	5.0%	5.0%	5.0%	5.0%	5.4%	5.6%	5.4%
DoRA operating												
Local Government Equitable Share										164,354	175,298	184,263
Finance Management										1,900	1,970	2,069
EPWP Incentive										2,000	-	-
										168,254	177,268	186,332
DoRA capital												
Municipal Infrastructure Grant (MIG)										31,679	34,179	36,009
Integrated national electrification Grant										8,000	8,000	6,000
										39,679	42,179	42,009

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Total Operating Revenue			152,413	161,873	172,801	197,930	194,974	194,974	194,974	207,684	218,208	229,393
Total Operating Expenditure			166,435	183,844	190,137	190,087	192,931	192,931	192,931	198,574	209,087	220,608
Operating Performance Surplus/(Deficit)			(14,022)	(21,971)	(17,336)	7,843	2,043	2,043	2,043	9,110	9,121	8,784
Cash and Cash Equivalents (30 June 2012)										2,857		
Revenue												
% Increase in Total Operating Revenue				6.2%	6.8%	14.5%	(1.5%)	0.0%	0.0%	6.5%	5.1%	5.1%
% Increase in Property Rates Revenue				6.9%	6.1%	15.4%	0.0%	0.0%	0.0%	4.9%	5.1%	5.2%
% Increase in Electricity Revenue				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% Increase in Property Rates & Services Charges				6.8%	5.9%	15.2%	(1.3%)	0.0%	0.0%	4.9%	5.1%	5.2%
Expenditure												
% Increase in Total Operating Expenditure				10.5%	3.4%	(0.0%)	1.5%	0.0%	0.0%	2.9%	5.3%	5.5%
% Increase in Employee Costs				14.0%	12.4%	(5.3%)	0.9%	0.0%	0.0%	6.2%	6.3%	6.2%
% Increase in Electricity Bulk Purchases				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Cost Per Budgeted Employee Position (Remuneration)				0	0	0				0		
Average Cost Per Councillor (Remuneration)				0	0	0				0		
R&M % of PPE			0.0%	0.0%	1.2%	1.3%	2.6%	2.6%		2.3%	2.2%	2.2%
Asset Renewal and R&M as a % of PPE			0.0%	0.0%	1133.0%	2.0%	3.0%	3.0%		3.0%	2.0%	2.0%
Debt Impairment % of Total Billable Revenue			18.7%	10.3%	(38.5%)	3.6%	2.9%	2.9%	2.9%	14.0%	14.0%	13.9%
Capital Revenue												
Internally Funded & Other (R'000)			–	–	1,493	7,843	2,043	2,043	2,043	100	–	–
Borrowing (R'000)			5,034	5,711	–	4,350	4,350	4,350	4,350	–	–	–
Grant Funding and Other (R'000)			41,672	58,378	30,069	39,873	39,873	39,873	39,873	38,145	42,179	42,009
Internally Generated funds % of Non Grant Funding			0.0%	0.0%	100.0%	64.3%	32.0%	32.0%	32.0%	100.0%	0.0%	0.0%
Borrowing % of Non Grant Funding			100.0%	100.0%	0.0%	35.7%	68.0%	68.0%	68.0%	0.0%	0.0%	0.0%
Grant Funding % of Total Funding			89.2%	91.1%	95.3%	76.6%	86.2%	86.2%	86.2%	99.7%	100.0%	100.0%
Capital Expenditure												
Total Capital Programme (R'000)			46,706	64,089	31,562	52,066	46,266	46,266	46,266	38,245	42,179	42,009
Asset Renewal % of Total Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash												
Cash Receipts % of Rate Payer & Other			67.9%	79.2%	75.0%	66.0%	80.1%	80.1%	80.1%	62.1%	62.2%	62.2%
Cash Coverage Ratio			0	0	0	0	0	0	0	0	0	0
Borrowing												
Credit Rating (2009/10)										0		
Capital Charges to Operating			0.1%	0.1%	0.2%	1.1%	0.4%	0.4%	0.4%	1.2%	0.9%	0.8%
Borrowing Receipts % of Capital Expenditure			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserves												
Surplus/(Deficit)			85	2,619	(1,208)	17,599	23,449	23,449	23,449	19,145	23,879	31,826
Free Services												
Free Basic Services as a % of Equitable Share			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Free Services as a % of Operating Revenue (excl operational transfers)			0.0%	0.0%	0.0%	1.5%	1.6%	1.6%		1.6%	1.5%	1.5%
High Level Outcome of Funding Compliance												
Total Operating Revenue			152,413	161,873	172,801	197,930	194,974	194,974	194,974	207,684	218,208	229,393
Total Operating Expenditure			166,435	183,844	190,137	190,087	192,931	192,931	192,931	198,574	209,087	220,608
Surplus/(Deficit) Budgeted Operating Statement			(14,022)	(21,971)	(17,336)	7,843	2,043	2,043	2,043	9,110	9,121	8,784
Surplus/(Deficit) Considering Reserves and Cash Backing			85	2,619	(1,208)	17,599	23,449	23,449	23,449	19,145	23,879	31,826
MTREF Funded (1) / Unfunded (0)	15	1	1	0	1	1	1	1	1	1	1	1
MTREF Funded ✓ / Unfunded ✗	15	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓

2.6 Expenditure on grants and reconciliations of unspent funds

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

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Table 34MBRR SA22 - Summary of councillor and staff benefits

KZN265 Nongoma - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
	1	A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)										
Basic Salaries and Wages		8,718	8,340	8,924	9,413	9,413	9,413	9,883	10,378	10,897
Pension and UIF Contributions		4,467	1,079	1,155	1,216	1,216	1,216	1,277	1,341	1,408
Medical Aid Contributions		–	75	80	153	153	153	161	169	178
Motor Vehicle Allowance		–	3,165	3,386	2,840	2,840	2,840	2,982	3,131	3,287
Cellphone Allowance		–	1,030	1,103	1,714	1,714	1,714	1,799	1,889	1,984
Other benefits and allowances		–	163	174	151	151	151	159	167	175
Sub Total - Councillors		13,185	13,852	14,821	15,487	15,487	15,487	16,261	17,074	17,928
% increase	4		5.1%	7.0%	4.5%	–	–	5.0%	5.0%	5.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		3,304	4,673	5,355	4,141	4,141	4,141	4,787	5,086	5,404
Pension and UIF Contributions		129	853	977	39	39	39	2	2	2
Medical Aid Contributions		–	345	395	53	53	53	57	61	65
Performance Bonus		454	618	662	–	–	–	399	424	450
Motor Vehicle Allowance	3	–	1,178	1,350	1,257	1,257	1,257	1,327	1,409	1,497
Cellphone Allowance	3	–	–	–	–	–	–	132	140	149
Other benefits and allowances	3	1,607	184	211	42	42	42	45	48	50
Payments in lieu of leave		–	–	–	235	235	235	250	265	282
Sub Total - Senior Managers of Municipality		5,494	7,851	8,951	5,767	5,767	5,767	6,998	7,435	7,899
% increase	4		42.9%	14.0%	(35.6%)	–	–	21.3%	6.2%	6.2%
Other Municipal Staff										
Basic Salaries and Wages		42,583	44,012	49,047	54,871	55,690	55,690	58,300	61,944	65,816
Pension and UIF Contributions		11,756	10,016	10,729	13,751	13,751	13,751	14,611	15,524	16,494
Medical Aid Contributions		2,617	1,938	2,611	3,669	3,669	3,669	3,898	4,142	4,401
Overtime		3,514	2,340	3,042	1,140	1,140	1,140	1,211	1,287	1,367
Performance Bonus		3,272	2,892	3,633	4,628	4,628	4,628	4,917	5,224	5,551
Motor Vehicle Allowance	3	3,624	1,786	2,984	3,393	3,393	3,393	3,605	3,830	4,070
Housing Allowances	3	–	–	–	44	44	44	46	49	52
Other benefits and allowances	3	347	1,072	2,219	578	578	578	614	652	693
Payments in lieu of leave		253	–	–	1,651	1,651	1,651	1,754	1,864	1,980
Long service awards		336	–	–	–	–	–	–	–	–
Sub Total - Other Municipal Staff		68,301	64,056	74,264	83,724	84,543	84,543	88,957	94,517	100,424
% increase	4		(6.2%)	15.9%	12.7%	1.0%	–	5.2%	6.2%	6.3%
Total Parent Municipality		86,980	85,759	98,036	104,978	105,796	105,796	112,216	119,025	126,251
			(1.4%)	14.3%	7.1%	0.8%	–	6.1%	6.1%	6.1%
TOTAL SALARY, ALLOWANCES & BENEFITS		86,980	85,759	98,036	104,978	105,796	105,796	112,216	119,025	126,251
% increase	4		(1.4%)	14.3%	7.1%	0.8%	–	6.1%	6.1%	6.1%
TOTAL MANAGERS AND STAFF	5,7	73,795	71,907	83,215	89,491	90,309	90,309	95,954	101,951	108,323

***Final budget and Medium Term Revenue & Expenditure Framework for 2020/21
term***

Table 35 MBRR SA23–Salaries allowance and benefits–councillors and senior management

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
Councillors	3							
Speaker	4		466,260	69,938	226,721			762,920
Chief Whip								–
Executive Mayor			611,514	91,715	282,374			985,603
Deputy Executive Mayor			448,647	88,965	226,721			764,333
Executive Committee			1,411,705	297,248	847,659			2,556,612
Total for all other councillors			6,311,554	990,204	3,890,078			11,191,836
Total Councillors	8	–	9,249,681	1,538,071	5,473,552			16,261,304
Senior Managers of the Municipality	5							
Municipal Manager (MM)			964,073	170,774	330,469			1,465,316
Chief Finance Officer			791,554	138,749	242,579			1,172,882
technical			702,828	90,883	183,494			977,205
planning			702,828	90,883	183,494			977,205
community			833,724	203,419	195,088			1,232,231
corporate			791,554	138,749	242,579			1,172,882
Total Senior Managers of the Municipality	8,10	–	4,786,560	833,458	1,377,703	–		6,997,721

Final budget and Medium Term Revenue & Expenditure Framework for 2020/21 term

Table 36 MBRR SA25 - Budgeted monthly revenue and expenditure

KZN265 Nongoma - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description	Ref	Budget Year 2020/21												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand																
Revenue By Source																
Property rates		2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	2,232	26,785	28,154	29,620
Service charges - refuse revenue		154	154	154	154	154	154	154	154	154	154	154	154	1,848	1,940	2,037
Rental of facilities and equipment		25	25	25	25	25	25	25	25	25	25	25	24	294	308	324
Interest earned - external investments		179	179	179	179	179	179	179	179	179	179	179	179	2,143	2,250	2,363
Interest earned - outstanding debtors		239	239	239	239	239	239	239	239	239	239	239	239	2,872	3,016	3,166
Fines, penalties and forfeits		30	30	30	30	30	30	30	30	30	30	30	30	363	381	400
Licences and permits		83	83	83	83	83	83	83	83	83	83	83	83	992	1,041	1,093
Transfers and subsidies		55,285	2,567	-	-	3,072	54,785	-	667	54,785	-	-	0	171,159	179,809	188,997
Other revenue		102	102	102	102	102	102	102	102	102	102	102	102	1,228	1,307	1,392
Total Revenue (excluding capital transfers and contributions)		58,328	5,610	3,044	3,044	6,115	57,828	3,044	3,710	57,828	3,044	3,044	3,043	207,684	218,208	229,393
Expenditure By Type																
Employee related costs		7,996	7,996	7,996	7,996	7,996	7,996	7,996	7,996	7,996	7,996	7,996	7,996	95,954	101,951	108,323
Remuneration of councillors		1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	1,355	16,261	17,074	17,928
Debt impairment		333	333	333	333	333	333	333	333	333	333	333	333	4,000	4,200	4,410
Depreciation & asset impairment		1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	1,454	17,448	18,321	19,237
Finance charges		72	72	72	72	72	72	72	72	72	72	72	72	869	301	111
Other materials		143	143	143	143	143	143	143	143	143	143	143	143	1,720	1,596	1,676
Contracted services		2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	2,355	650	26,558	28,827	30,841
Transfers and subsidies		66	66	66	66	66	66	66	66	66	66	66	66	794	830	869
Other expenditure		2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,489	34,970	35,987	37,214
Total Expenditure		16,729	16,729	16,729	16,729	16,729	16,729	16,729	16,729	16,729	16,729	16,729	14,559	198,574	209,087	220,608
Surplus/(Deficit)		41,600	(11,118)	(13,685)	(13,685)	(10,613)	41,100	(13,685)	(13,018)	41,100	(13,685)	(13,685)	(11,515)	9,110	9,121	8,784
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		10,559				10,559				10,561			-	31,679	34,179	36,009
Surplus/(Deficit)	1	52,159	(11,118)	(13,685)	(13,685)	(54)	41,100	(13,685)	(13,018)	51,661	(13,685)	(13,685)	(11,515)	40,789	43,300	44,793

2.7 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

Table 39 MBRR SA33 – Contracts having future budgetary implications

There are no such contracts in place.

2.8 Capital expenditure details

The following three tables present details of the Municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

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Table 40 MBRR SA 34a - Capital expenditure on new assets by asset class

KZN265 Nongoma - Supporting Table SA34a Capital expenditure on new assets by asset class

Description		Ref	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
R thousand	1		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
Capital expenditure on new assets by Asset Class/Sub-class									
Infrastructure			30,264	46,793	40,793	40,793	38,145	42,179	42,009
Roads Infrastructure			30,264	38,793	32,793	32,793	30,145	34,179	36,009
Roads			30,264	38,793	32,793	32,793	30,145	34,179	36,009
Electrical Infrastructure			–	8,000	8,000	8,000	8,000	8,000	6,000
Capital Spares				8,000	8,000	8,000	8,000	8,000	6,000
Other assets			416	–	–	–	–	–	–
Operational Buildings			416	–	–	–	–	–	–
Municipal Offices			416						
Computer Equipment			–	443	200	200	–	–	–
Computer Equipment				443	200	200			
Furniture and Office Equipment			353	300	223	223	–	–	–
Furniture and Office Equipment			353	300	223	223			
Machinery and Equipment			529	180	700	700	100	–	–
Machinery and Equipment			529	180	700	700	100		
Transport Assets			–	4,350	4,350	4,350	–	–	–
Transport Assets				4,350	4,350	4,350			
Total Capital Expenditure on new assets	1		31,562	52,066	46,266	46,266	38,245	42,179	42,009

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Table 42MBRR SA34c - Repairs and maintenance expenditure by asset class

Description	Ref	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand	1							
Repairs and maintenance expenditure by Asset Class/Sub-class								
Infrastructure		2,000	2,100	3,640	3,640	3,500	3,675	3,859
Roads Infrastructure		2,000	2,100	3,640	3,640	3,500	3,675	3,859
Roads		2,000	2,100	3,640	3,640	3,500	3,675	3,859
Community Assets		-	-	-	-	300	315	331
Community Facilities		-	-	-	-	300	315	331
Halls		-	-	-	-	300	315	331
Other assets		1,800	2,579	4,000	4,000	3,000	3,150	3,308
Operational Buildings		1,800	2,579	4,000	4,000	3,000	3,150	3,308
Municipal Offices		1,800	2,579	4,000	4,000	3,000	3,150	3,308
Computer Equipment		-	50	50	50	60	63	66
Computer Equipment		-	50	50	50	60	63	66
Machinery and Equipment		-	80	80	80	-	-	-
Machinery and Equipment		-	80	80	80	-	-	-
Transport Assets		-	1,000	1,405	1,405	1,500	1,575	1,654
Transport Assets		-	1,000	1,405	1,405	1,500	1,575	1,654
Total Repairs and Maintenance Expenditure	1	3,800	5,809	9,175	9,175	8,360	8,778	9,217

2.9 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) still need to improve.

2. Internship programme

The Municipality is participating in the Municipal Financial Management Internship programme that is funded by National Treasury and has appointed five (5) interns on a 2 year contract basis. This is a conditional grant allocation and it is then the responsibility of the municipality to ensure Financial Management Grant is spent in full at the end of the year.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

The Audit Committee is functioning satisfactorily during the year.

5. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.



2.10 Municipal manager's quality certificate

I, Mr MB Mnguni, Municipal Manager of Nongoma Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the Final budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Mr MB Mnguni

Municipal manager of Nongoma Municipality (KZN265)

Signature _____

Date 05 June 2020